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LOSS PREVENTION GUIDE

Office of Risk Management



A Guideline for Developing/Improving and Implementing
A State Agency Loss Prevention Approach
2001

R I S K M A N A G E M E N T

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Washington State Department of
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Division of Transportation,
Risk and Mail

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Purpose

The purpose of publishing a model loss prevention guideline for Washington state agencies and higher education facilities is twofold: (1) educate state officers and employees about the importance of including loss prevention activities in managing state agency operations, and (2) to provide an outline of ideas for developing/improving and implementing a loss prevention approach. The information and ideas presented in this guideline promote a comprehensive approach to loss prevention that is forward-looking to achieve effective results. A *proactive* approach is an alternative to a *reactive* approach where loss prevention emphasis is sporadic (i.e., attention generally not focused until there is an increase in claim numbers or costs). This framework is based on a *proactive* model.

The state benefits in many ways when all state agencies focus on preventing and controlling losses. In addition to enhancing the protection of Washington's citizens, they minimize impact on scarce state resources. State resources impacted by loss include not only *financial*—public dollars to pay losses, but *human*—injuries/damages to state workers, lost productivity, or staff time required to address loss impacts on the agency. Since overall operational efficiency is a natural by-product of loss avoidance or cost mitigation, the state and its citizens once again reap a win-win situation when agencies manage state government operations with a comprehensive, *proactive* approach to loss prevention.

Washington State Tort-Loss Trends

A brief review of Washington's tort-loss trends points to the pressing need for loss prevention to play a high profile role in agency operations. Tort-loss damage claims against the state can arise from a variety of sources: errors and omissions, management decisions, wrongful acts, mishaps or operational oversights.

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Over the past decade there has been a sharp increase in the number of claims against Washington agencies. A review of tort-loss history from 1988-89 shows that lawsuits generally involved vehicle accidents and alleged highway design or deficient maintenance cases, with very few cases from parole or social service services areas (e.g., abuse of vulnerable adults or children). Over time, claims involving employment practices and/or violation of civil rights increased, then somewhat declined in the latter 1990s as agencies implemented loss prevention methods. The importance and need for sustained loss prevention in this area must be continued to ensure this trend is not reversed (particularly high dollar payouts). While transportation-related cases remained about the same this past decade, the number of lawsuits arising from crime victims and foster children grew dramatically. This trend continued to escalate into the year 2000, with the state facing a number of multi-million dollar claim payouts. These cases are dramatic examples of the major fiscal impact that changing court decisions (creating expanded liability for the state) are having on the state self-insured liability fund, and ultimately on all state government operations. A chart showing liability trends is provided in the resource section of this guideline.

Preface

Model Loss Prevention Approach Guideline Use

This guideline is intended to serve only as a general outline of ideas and information to *assist agencies in* implementing/improving a loss prevention approach that agencies customize to meet their needs. Assistant Attorney General (AAG) review is recommended for applicable loss prevention policies, procedures, activities, etc. AAG oversight, involvement, and review should be ongoing to ensure changes in agency operations, loss trends, significant court decisions, and the like are addressed as needed.

Disclaimer

This guideline has been prepared for the use of state government agencies and higher education facilities. It provides general information on developing *and* implementing a loss prevention approach. *It is NOT intended to be all-inclusive* due to a variety of agency variables such as size, mission and type of operations.



Now is the time to develop a comprehensive loss prevention approach

RCWs and programs

Loss Prevention Guide

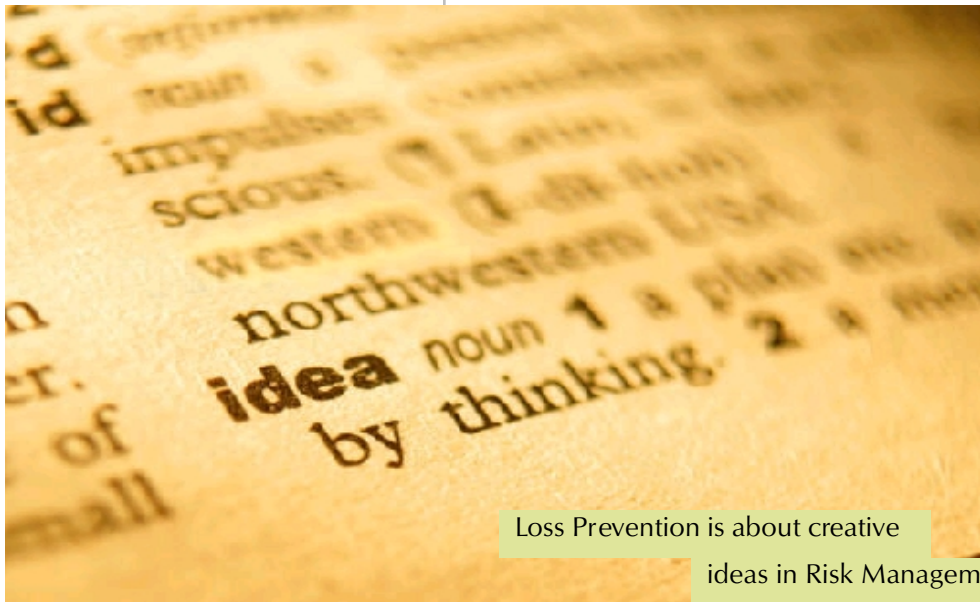
Background

Risk Management-Based RCWs and Programs for State Agencies

Risks associated with state government operations are addressed through a variety of insurance coverages and/or related risk management-based programs. Responsibilities and other parameters of these risk management-based programs or coverages are detailed in statute. This includes General Administration's responsibilities for administering and coordinating programs through the Office of Risk Management. There are also other risk management-based programs and/or requirements at the federal, state and local levels that may impact state agency operations. At the state level the workers' compensation insurance program and occupational safety and health laws are examples. Building safety and fire prevention requirements (often based on national requirements) are examples from the local level. Familiarity with (or a working knowledge of) key risk management-based programs and applicable RCWs will provide valuable guidance whether developing or enhancing your agency's loss prevention approach.

A Resource for Accessing and Reviewing Risk Management Statutes

Most of the key risk management-based RCWs or programs mentioned above are referenced in an "overview" that appears in the Resource section of this guide for a handy reference. Each overview includes the applicable RCW, a brief description of the program or coverage it addresses, and the agency responsible for administering it. Internet web site addresses for accessing the full text of RCWs or program requirements not included in the overview are also provided.



Loss Prevention is about creative ideas in Risk Management.

prevention concept

Loss Prevention Guide

Defining Risk or Loss

Based on Black's Law Dictionary, risk is described as *the danger or hazard of a loss of the property insured; the casualty contemplated in a contract of insurance; the degree of hazard; a specified contingency or peril; and colloquially, the specific house, factory, ship, etc., covered by the policy. In general, risk is the element of uncertainty in an undertaking. Risk may be moral, physical or economic.* Preventing these hazards, dangers, perils or contingencies is the basis of a loss prevention approach. A tort is defined as a *wrong committed against the person or property of another for which a civil action (or lawsuit) can be brought.* State government is a primary target for tort claims due to the types of services provided and the courts' interpretation of state laws. (For additional definitions of terms related to risk management, tort insurance and claims, see the glossary located in the resource section of the guideline.

Understanding the Loss Prevention Concept

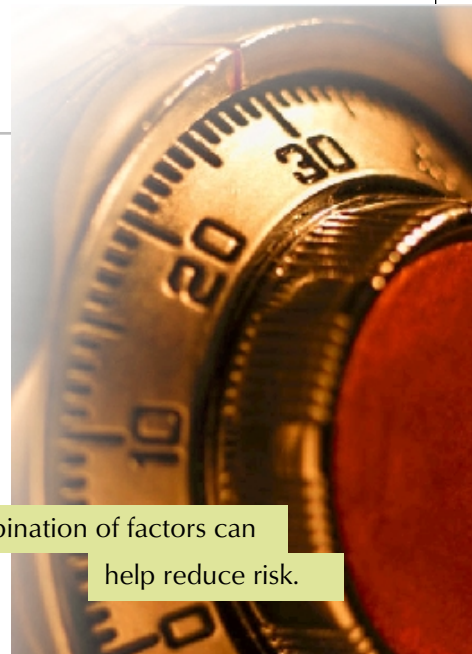
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The Objective of Loss Prevention

The objective of loss prevention is loss mitigation or elimination of potential risk/loss. On the human side, this endeavor results in reduction of injury or trauma to the state's employees and citizens. On the financial side, the cost of providing goods and services is reduced, preserving state resources. Both of these combined, contribute to greater efficiencies and effectiveness in delivering state government services.

Consequences of Not Taking a Loss Prevention Approach

An agency's public mission or objective is impacted when it fails to locate and define errors that may involve incomplete decision making, faulty judgment, administrative miscalculations or poor business practices resulting in loss. Excessive losses by agencies negatively impacts premium costs, diverting agency budget dollars to higher insurance costs and away from mandated or priority services that benefit Washington's citizens and taxpayers. In addition, tort losses often generate "uninsured" costs that may contribute to additional negative impacts on agencies. These



A combination of factors can help reduce risk.

Loss Prevention Guide

Understanding the Loss Prevention Concept

may include but are not limited to staff time to investigate incidents and prepare defenses to lawsuits, re-training, response to continual media inquiries, and poor employee morale. Also, public sector losses come with a high degree of potential for damage in credibility – a “trust in government” factor. This challenging factor provides another incentive for agencies to develop a loss prevention approach that reduces the potential for the far-reaching negative consequences that agencies or the State as a whole suffer when public confidence is undermined.

Investing In a Loss Prevention Program

Most accidents or losses do not occur without cause. A loss analysis can reveal these causes. Loss information at the agency and statewide level is available from *General Administration’s Office of Risk Management* to help agencies review historical loss trends. Coupled with agencies’ risk self-assessment findings, the loss history analysis provides direction for loss prevention planning and emphasis. Loss prevention efforts are most apt to be successful when activities to reduce operational error are supported by executive management and implemented with a systems approach that includes measurable objectives. Loss prevention activities that lack executive support or integration into the agency’s operations present only marginal opportunity to prevent or keep loss to a minimum over the long term.



Investing in a loss prevention

program now saves money for the future

establishing foundations

Loss Prevention Guide

Paradigm Shift for New Millenium: Proactive Emphasis for Loss Prevention Results

As mentioned earlier, losses do not occur without cause. These risks or losses can be managed—either through elimination of incidents or cost mitigation. Costs associated with insurance losses vary with the type of operation of the agency and its inherent risks. While some agency operations inherently carry greater risks, all agencies have the potential for significant loss that can be *managed* to prevent repeat occurrences or mitigate future costs. Recent trends in claim type and damage awards have vividly demonstrated that agency loss prevention efforts must be proactive. As we enter the new millenium, challenges to identifying and managing state agency risk are increasing. Meeting and overcoming those challenges will require vigilant loss prevention activities to successfully preserve state agency resources and retain citizen confidence in state government.

Establishing a Foundation for a Loss Prevention Approach

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Loss Prevention Benefits

First, establishing a loss prevention approach sets the tone that state government recognizes the many benefits of including loss prevention techniques in agency operations. A loss prevention approach *does not guarantee* agencies won't have losses or necessarily prevent every loss. However, it will help ensure that agencies have implemented strategies *to continually evaluate loss potential and exposure* to prevent similar events from occurring or mitigate costs of losses that do occur.

Key Actions for Establishing a Loss Prevention Foundation

Just as management commitment and leadership are critical components to any successful agency initiative with a high expectation of results, the same applies to initiating and maintaining a loss prevention approach. However, the level of program detail, allocation of resources, and other organizational decisions cannot be dictated in this model approach guide. These are decisions that only agency staff can make, taking into account such factors as agency size, organizational structure, budget, and overall risk potential—both current and historical. However, any agency—regardless of unique features—should consider the following as basic elements for a results-oriented loss prevention approach.



Management commitment is the foundation to building and maintaining a loss prevention approach

Loss Prevention Guide

Establishing a Foundation for a Loss Prevention Approach

Management Commitment

- Establish scheduled, periodic executive/mid-management team review of agency and statewide loss trends.
- Establish accountability and follow-up for implementation of strategies or recommendations identified as critical to addressing agency loss trends.

Establish Loss Prevention Coordination and Authority

- Appoint an agency representative for risk management/loss prevention, management or coordination.
- Clearly define roles and responsibilities for management team, loss prevention manager, and other agency representatives tasked with loss prevention responsibilities.
- Establish performance measures to ensure loss prevention strategies are implemented.

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Charting a course to loss prevention success demands

organizational focus and coordination with established authority and roles

checklist

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As mentioned earlier, a standardized, “one size fits all” approach to state agency loss prevention is impossible due to the varying size, organizational structure, operation type, and tort loss potential for each agency. Instead, a list of loss prevention components typical to any entity (public or private) seeking to lower losses is provided. Under each component category is a “checklist” of items that serves to explain the overall intent of the category. It also provides information on specific actions/activities to review, consider, or implement when establishing or enhancing the agency’s loss prevention approach.

Loss Prevention Approach – Checklist

1. Management Actions

Agency executive management:

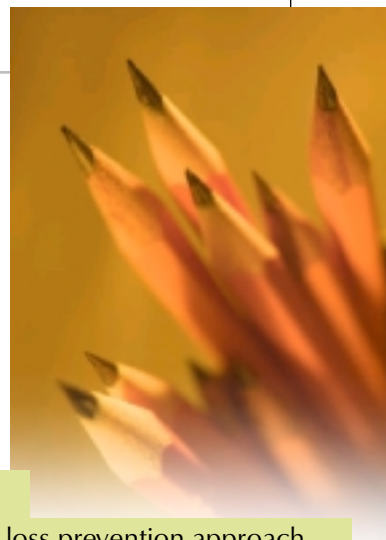
- Establishes and supports a loss prevention function in the agency.
- Develops a written loss prevention policy statement and communicates to staff. Staff at all levels is responsible for implementing loss prevention objectives and meeting performance standards.

Note: Sample policy statements are provided in the Resource section of this guideline.

2. Accountability Measures

- Loss prevention roles and responsibilities are *clearly* defined in writing for management team, the agency loss prevention representative, and agency employees.
- Loss prevention goals and objectives are established and performance is measured.
- Loss review and discussion of significant cases is a permanent and periodic agenda item at executive management meetings. (*Even when losses are low or the agency is loss free—this is an opportunity to recognize staff’s achievements or anticipate exposures based on the experience of other agencies.*) Required follow-up action is taken when indicated and monitored for completion.
- Written guidelines are created as appropriate (i.e., desk manuals or other written documents) outlining responsibilities, objectives, or practices that explain the agency’s overall loss prevention approach.

Note: Additional benefits of written guidelines (desk/resource manuals, etc.) include increased visibility for the agency’s overall risk management and loss prevention approach and a ready source of information for orienting agency staff assigned loss prevention responsibilities. The training aspect is particularly important to ensure a smooth transition of loss prevention/ risk management responsibilities and activities in agencies that may experience frequent staff turnover.



Written guidelines provide staff with a means of reference to apply a loss prevention approach

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Loss Prevention Approach – Checklist

- Managers are held accountable for safety and loss prevention results by including requirements in strategic or performance evaluations.
- Safety and loss prevention successes are highly publicized in the agency.
- Agency AAGs coordinate with tort attorneys as needed when reviewing agency policies and procedures.
- Status updates on claims are coordinated with the agency AAG as appropriate.
- Periodic meetings, as appropriate, are held with agency AAGs for the purpose of identifying strategies for minimizing agency loss.

3. Orientation of Loss Prevention Program to Agency Staff

- New employee orientation training is established to ensure staff becomes knowledgeable about the importance of loss prevention and their responsibilities or role in reducing agency losses.
- Loss prevention orientation training includes a brief review of agency-wide roles and responsibilities.

4. Risk Management/Loss Prevention Committee

- The feasibility/need for establishing a loss prevention committee is explored. Committee purpose is to provide agency-wide coordination of loss prevention activities, policy oversight and recommendations, case or trend reviews, and other responsibilities assigned or specified by executive management.

Note: Loss prevention committees are generally more suited to larger organizations. Smaller agencies may find that this “coordinating approach” could be achieved simply by incorporating it into existing management meeting forums. The decision to create a loss prevention committee is totally optional and is not to be confused with occupational safety and health committees that are specified by WISHA requirements.



Some agencies may choose committees

to coordinate loss prevention efforts

Loss Prevention Guide

If the agency *chooses* to form a risk management/loss prevention committee, consideration is given to including the following staff: finance/budget manager, human resource manager, division directors, internal auditor, safety and health and/or risk manager and agency AAG.

**Loss
Prevention
Approach
–
Checklist**

5. Training and Education Program

- Adequate training/education on the agency loss prevention program (initial and ongoing) is provided to agency employees based on their responsibilities or roles in loss prevention.
- Training/education guidelines are developed and training conducted (with documentation) when it is determined that this is necessary to mitigate potential loss (e.g., the HELP academy training, which is designed to assist agencies to reduce employment-related lawsuits.)

6. Operational Policies, Procedures, Rules and Guidelines

- Provision is made that agency policies, procedures or guidelines are periodically reviewed and updated as needed based on changes that occur in the agency operations or structure, AAG or loss prevention committee review recommendations, lawsuit trends or other information that suggests loss prevention or mitigation action is prudent.
- Provision is made to ensure those policies and procedures established are realistic in scope and represent obtainable goals.
- Procedures are established to ensure that loss prevention or mitigation recommendations forwarded from the loss prevention committee, AAG or other agency loss prevention sources are implemented satisfactorily and in a timely manner.

7. Loss Identification Process: Self-Assessment/Inspections

- A periodic process to identify or re-examine potential loss exposure is established by the agency.

Note: This process is often referred to as a Risk Self-Assessment. Details on conducting one can be referenced in the Office of Risk Management’s “Risk Management Self-Assessment Guide.” Contact the loss prevention manager at riskmanagement@ga.wa.gov to request a copy.

- The exposure/risk evaluation process used by the agency includes two major strategies: (1) eliminating/reducing the exposure by controlling the risk (preventing the claims or “managing” the claims that do occur), and (2) financing risks.
- The exposure/risk evaluation process used by the agency includes an adequate amount of information sources such as: (1) review of business and financial documents (e.g., business plan and organizational chart), (2) surveys and questionnaires, (3) personal interviews, (4) site inspections, etc.

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- Recognition that the agency may not be able to analyze all losses in depth, but can establish a priority system for reviewing losses, i.e., losses with high cost and high frequency of occurrence a top priority, high cost, but less frequency the next priority, and so forth.

8. Accident/Incident Investigation and Analysis

- Staff is identified and a process is in place for receipt, review and oversight of all tort claims filed against the agency.
- Staff authorized to conduct/participate in tort claim investigation has been identified.
- Staff authorized to conduct investigations on claims has received adequate investigation techniques training (*see information about the Department of Personnel Investigation course in the Resource section of the guideline.*)
- Agency level investigation reports include recommendations for preventing reoccurrence and a tracking system to ensure appropriate follow-up.
- Process is established to ensure that information requested and subsequently provided in the investigation program is structured to include *factual information only*.
Note: Collecting and documenting “opinions” rather than fact serves to create rather than defer additional liability.
- Process is established for a “de-briefing” or review of high profile loss cases at appropriate stages of the claim with staff designated by the agency executive. (High profile claims may include cases that attract media attention, cases where award amounts are unusually large, or cases where there is potential for a significant court decision.)

9. Periodic Loss Prevention Program Review

- Periodic tort claim (trending) review by executive management is established (agency and statewide).
Note: Small agencies that historically have been claim-free or have minimal costs should review statewide trends, i.e., employment practices and vehicle accidents. These two categories of losses can potentially affect all agencies and can serve to anticipate new areas of exposure.
- Consideration is given to the need for or feasibility of creating an annual risk management report for the agency executive management team that tracks progress and trends.

Loss Prevention Approach — Checklist

identifying loss exposure

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An important part of loss prevention planning is identifying potential loss exposure. The list below provides a brief guide to basic *loss type* categories that may impact agencies. The list explores liability and other loss exposures.

Basic Loss Types

1. **Property Losses** – Accident loss/damage can occur to both real and personal property. Real property (real estate) includes public buildings, parks and swimming pools. Personal property includes motorized equipment (not licensed for street use), cash, public records, desks, chairs, computers and tools. Losses may result from a number of causes such as carelessness, natural disasters, faulty equipment, fire and theft.
2. **Additional Expenses** – After some losses, agencies incur additional expenses to maintain services or to return to a normal function. For example, a fire in a building occupied by the agency could result in costs to lease or purchase a new building, move furniture and equipment to a new site, re-create damaged records and so on.
3. **Loss of Income Revenue** – This often overlooked exposure affects many agencies with revenue-producing facilities such as stadiums, liquor stores, cafeterias/snack bars, meetings/convention facilities and parks. If these facilities were damaged or destroyed, the agency would lose the income that they normally generate.
4. **Human Resource Losses** – Job-related illnesses and injuries cause direct losses to individuals. In addition there may be losses stemming from medical and indemnity expenses, but also indirect costs due to replacing employees and from decreased productivity until the injured employee returns to work or a new employee is properly trained. Human resource losses in the form of lost productivity also can occur when agencies must participate in claims defense-related activities. Another category of loss is employment-related claims: e.g., hiring practices, discrimination, sexual harassment, etc.
5. **Liability to Others** – The risk of liability resulting from injuries and property damage is one of the most serious loss exposures faced by public agencies. A private citizen or company may claim a loss because of the actions of an employee or public official or due to faulty equipment or property. Claims may arise out of intentional acts or unintentional negligent acts.
6. **Contractual Liabilities** – Many public entities are exposed to contractual liabilities since many agencies contract for services and products and enter into cooperative service agreements with other government entities.

Identifying Agency Loss Exposure — Basic Loss Types



Vehicle loss is one type of loss that
may be preventable through education and training

Loss Prevention Guide

Loss Prevention Focus Topics

Some liability losses potentially impact all state agencies regardless of the agency's size or mission. These fall into two main categories, which are vehicle accidents and employment practices. However, there are other agencies with potential losses that are unique only to that agency's operations. Identifying loss potential created by agency-specific operations is a vital component of an agency's loss prevention approach.

Identifying Agency Loss Exposure — Focus Topics

The following "focus topic" checklists are provided to help agencies assess their loss potential. The checklists are identified by a major topic heading with related items listed below. The purpose of these checklists is to encourage individual agencies to conduct and promote analysis of their loss potential by providing a general framework of ideas to initiate the loss process. This analysis should also consider the level of impact: 1) High incident occurrence potential (frequency) and 2) High damage impact potential, human or financial (severity). Information gathered from this activity will provide direction for the agency's loss prevention focus and approach.

Note: These checklist categories are provided to generate discussion, analysis and review of loss potential at the agency level. They are not intended to be an all-inclusive list that represents every conceivable risk or exposure applicable to state agencies.

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Employment Practices – All Agencies

- Affirmative Action
- Discrimination
- Sexual Harassment
- Work Hours
- Employment Practices
- Personnel Records/Employee Privacy
- Employee Termination
- Leaves of Absence
- Employee Safety and Health Requirements and Training (workplace rules and standards)
- Off-Duty or Outside Employment

A Helpful Resource: The HELP Academy (Human Resource Educational & Liability Prevention) is a training program offered through the Washington State Department of Personnel and designed to help managers and human resource professionals with clear, accurate, and current information to carry out their human resource-related responsibilities and reduce employment disputes and liability. Visit the Department of Personnel's web site at hr.dop.wa.gov to learn more about this innovative loss prevention solution. The HELP Academy has been recognized by the Council of State Governments and has received a 1999 Innovations Award.

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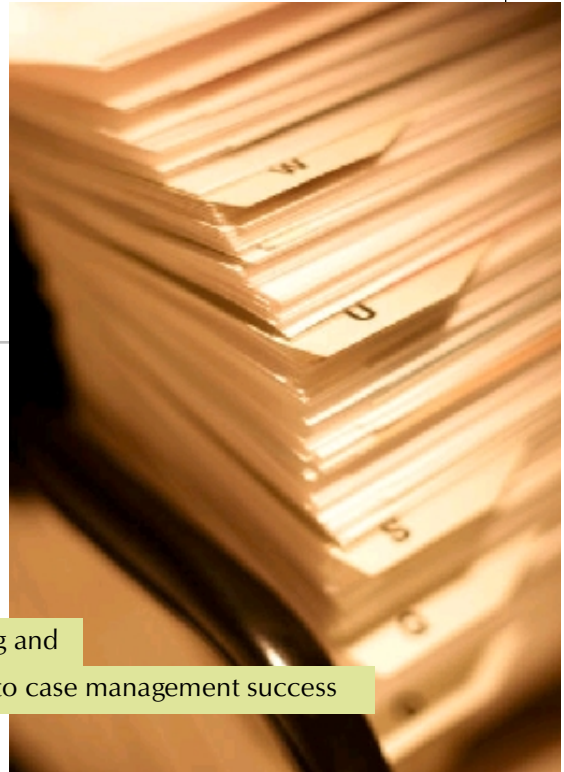
Administrative Operations-All Agencies

Legislative and Administrative Services
Reporting and Investigation Procedures
Employee Training (All areas of risk)
Workplace Violence
Management Audit/Oversight
Recordkeeping Procedures

A Helpful Resource: Investigator Training Program from the Department of Personnel. This program is designed for state employees whose duties include interviewing witnesses, obtaining documents, or otherwise gathering information that may be used in enforcement or disciplinary actions or proceedings where there is a potential for substantial civil or criminal remedies to be imposed on a person or business. Visit Department of Personnel's web site at hr.dop.wa.gov to learn more about this helpful training class for agency staff assigned investigation duties.

**Identifying
Agency Loss
Exposure
—
Focus Topics**

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Fact-based information gathering and records are paramount to case management success

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Identifying Agency Loss Exposure — Focus Topics

Vehicles (Non Fleet) – All Agencies

Maintenance Program & Records
Insurance Coverage Provisions
Driving Records
Driver Training

Vehicles (Fleet) – All Agencies

Vehicle Model Selection
Purchasing & Maintenance Contracts
Vehicle Insurance Coverage
Driving Records
Driver Training

Building and Premises – All Agencies

Building Maintenance (Including Indoor Air Quality)
Building Structural Components
Stairs, Steps and Walkways, and Roof tops
Sidewalks and Walkways
Parking Lots and Garages
Emergency Plans and Equipment
Facilities Inspections and Records
Public Building Inspections
Lease Agreements
Contractors

Law Enforcement

Property and Evidence
Correctional Facility/Jail
Pursuit
Canine Use
Use of Force
Use of Fire Arms
Emergency Vehicle Operations
Firearms
Aviation Operations

Transportation/Roads

Road Design & Engineering
Road Maintenance and Construction
Crosswalks
Illumination
Signage
Marine Operations
Aviation Operations
Fuel Storage
Mobile Equipment Operations/Storage
Hazardous Materials Storage

Correctional Facilities/Social Services

Confidential Information Release
Safe Food Preparation
Emergency/Escapes Procedures
Sexual Misconduct
Client Supervision Procedures
Patient Safety/Protection
Background Checks
Business Practices
Contract Wording

Natural Resources

Natural Resource Protection/ Management Practices
Firefighting/Conservation

State Laboratories

Chemical Selection, Storage, Transportation and Disposal
Sampling Protocol
Equipment Maintenance and Recordkeeping

getting help

Consultation

For onsite information or discussion of loss prevention services for state government agencies, contact: Loss Prevention Manager, Department of General Administration, Office of Risk Management at:
Phone: (360) 902-7312
Fax: (360) 586-1789
Mailing:
PO Box 41027, Olympia, WA 98504-1027
E-mail: riskmanagement@ga.wa.gov

Internet Web site

A risk management web site is located at www.ga.wa.gov/risk/riskfinance.htm that contains risk finance and loss prevention information. Check the site regularly for new features and updates.

Data Reports

Loss data is an important loss prevention planning tool. The following outlines the benefits and use of data reports for loss prevention purposes:

1. Monitoring trends – agency specific or statewide
2. Benchmarking – comparing loss trends with other similar agencies
3. Conducting agency risk assessments
4. Planning and revamping loss prevention priorities or strategies
5. Estimating future impact on agency costs

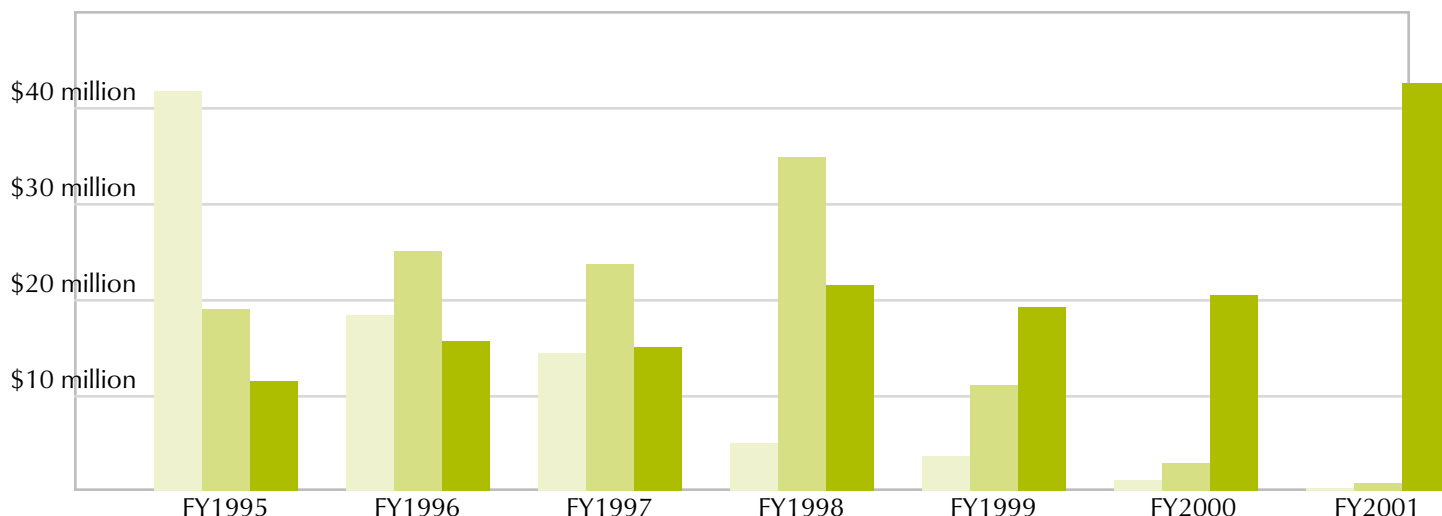
For individual agency loss reports, contact Office of Risk Management's Loss Prevention Manager at (360) 902-7312 or the web site address provided under consultation. Click on the name next to Loss Prevention Manager to create an e-mail.

Note: An example of data available from ORM is provided below.

Tort Liability Claim Losses FY 1995-2001 (Statewide)

Indicates tort payments through April 1, 2001 and how they are distributed (Fiscal year loss occurred, year claim was filed, year claim was paid.) The nature of tort liability claims is that not all claims are filed in the same year of the alleged loss date, nor claims payments made in the same year as claims are filed.

by Loss Date (incident occurred) by Claim Date (claim filed) by Paid Date (state paid the claim)



common terms

The goal of this guideline is to inform, educate and familiarize agency staff with general information on insurance, risk management and loss prevention as it applies to state agency operations. To enhance that understanding, a listing of terms common to risk management and loss prevention is included in the following glossary.

Term Definition

Affecting the peril – Action to control or reduce risk. Examples are limiting smoking areas and installing security devices.

Business interruption – Loss of earning of a business during the time required to rebuild or repair property, which has been damaged or destroyed. Inability to perform business service.

Claim – A demand by an individual or corporation to recover for loss. See specific types of claims, i.e., tort liability, property or workers' compensation.

Contingency – An event which may or may not occur.

Contract – An agreement between two or more persons which creates an obligation to do or not to do a particular thing. Its essentials are competent parties, subject matter, legal consideration, mutuality of agreement and mutuality of obligation.

Duplication (Back-Up of Critical Information) – A risk control technique used to reduce the severity of loss by duplicating critical material. Examples are the backup of computer information onto disc or tape or maintaining inventories in several warehouses.

Exposure – Possibility that a loss may occur—the potential loss facing the agency.

Extra expense – The cost of keeping the agency operating by paying extra to expedite shipment of essential parts, the renting of space or equipment on a temporary basis, or hiring additional staff following a loss.

Formal risk assessment – Evaluation of an agency's exposure to loss by a risk analyst. The process can take seven to ten months to complete, depending on agency size.

Hazard analysis – A comprehensive study of an organization either before or after a loss has occurred.

Incidents – Events that occur that may or *may not* result in injury or damage to state employees or third parties.

Intervention – A loss control technique that adds something new to the situation or environment to interrupt the impact of a peril on a thing or a person.

Liability – Legally enforceable obligation.

Loss – An unintentional decline in or the disappearance of values arising from a contingency.

common terms

Loss prevention – The methods or techniques used to reduce the frequency or probability of a loss.

Loss reduction – Those techniques which reduce the severity of losses that do occur.

Modification – A risk control technique that is generally limited to product exposures, and includes such items as damage-resistant packaging and design modification to eliminate product claims.

Negligent or negligence – Failure to use the degree of care considered to be a reasonable precaution under the given circumstances. This can refer to act of omission, commission or both.

Peril – The cause of loss, e.g., fire, wind or theft.

Procedure manual – A manual that provides direction on carrying out established policy.

Property loss – A loss resulting from the destruction or loss of property, real or personal.

Risk – The uncertainty arising from the possible occurrence of given events.

Risk Assessment – The process of evaluating potential exposures to loss faced by an organization. Risk Assessments can be:

- (1) A formal, lengthy and complex process that can take up to 7-10 months to complete.
- (2) A scaled-down process called a self-assessment that is done at the agency level and designed to help the agency pinpoint potential exposures it faces as well as identify strategies to reduce those exposures

Risk Control – A conscious action (or non-action) intended to reduce the frequency, severity, or unpredictability of accidental losses. Risk control is a term used to describe any risk management technique that seeks to reduce the probability of a loss and to eliminate or reduce the severity of those losses that do occur. It encompasses both loss prevention and loss reduction.

- (1) Loss prevention refers to methods or techniques that reduce the frequency or probability of loss.
- (2) Loss reduction (or loss control) refers to those measures that reduce the severity of those losses that do occur.

Risk financing – Any of several different methods which can be used to pay for losses.

Risk management – The organizational unit or function responsible for managing or coordinating activities determined necessary to minimize the adverse effects of loss or risk for an agency.

common terms

Risk management policy statement – A statement that expresses the goals, direction, attitude and structure of an agency’s risk management and loss prevention approach.

Self-assessment – A modified risk assessment performed at the agency level. It is designed to help the agency recognize the potential exposures it faces and to develop and implement plans to reduce those exposures.

Tort liability – A wrong other than a breach of contract for which a civil action can be brought. Although most claims arising from torts arise on the grounds of negligence, there are two other possible grounds:

- (1) intentional interference
- (2) strict liability

Workers’ compensation – The compensation or benefits (prescribed by the Department of Labor and Industries) provided to agency employees should they become injured or ill *in the course of carrying out their job duties*, whether or not the agency was negligent (i.e., no-fault insurance).

policy samples

A published and signed policy or philosophy statement is used as a means to visibly demonstrate management's commitment to a stated objective. Agencies that choose to develop a policy statement as a component of their loss prevention approach can use the following samples for guidance. It is recommended the policy statement be signed by the agency executive/college president and dated.

Risk Management Policy Samples

Note: This policy statement is part of DOT's Risk Management Manual M7-01, effective July 1, 2000.

This manual is published by the Washington State Department of Transportation, (WSDOT), Risk Management Office, to provide guidance for all personnel on risk management procedures and practices, and to serve as a convenient reference on risk issues.

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WSDOT is committed to providing all of its employees and users of its transportation systems reasonably safe opportunities to conduct those activities, as stipulated by the laws of the State of Washington and the United States.

I am committed to the risk management program and consider the risk management process essential and fundamental to all managers, supervisors and employees of WSDOT. I strongly encourage all employees to become aware of this manual's contents and to integrate a risk management philosophy into their daily activities, to include day-to-day decision-making, planning, and implementing of all responsible tasks. Risk management considerations in the daily decision process will provide the benefits of loss control and risk mitigation expected by the citizens of this state.

Signed by: the Secretary of Transportation and the Assistant Secretary,
Finance and Administration Service
Center



A policy template can serve your loss prevention

approach like blueprints to a building

policy samples

Generic Policy Sample

Note: This is a generic policy sample. Modify as desired to fit agency needs.

AGENCY will implement and support a risk management strategy. This strategy will place a high priority on preventing and actively managing the risks and associated costs, which detract from the pursuit and realization of **AGENCY** objectives. This will be accomplished through defining roles and responsibilities and establishing accountability for incorporating loss prevention activities into agency objectives and planning.

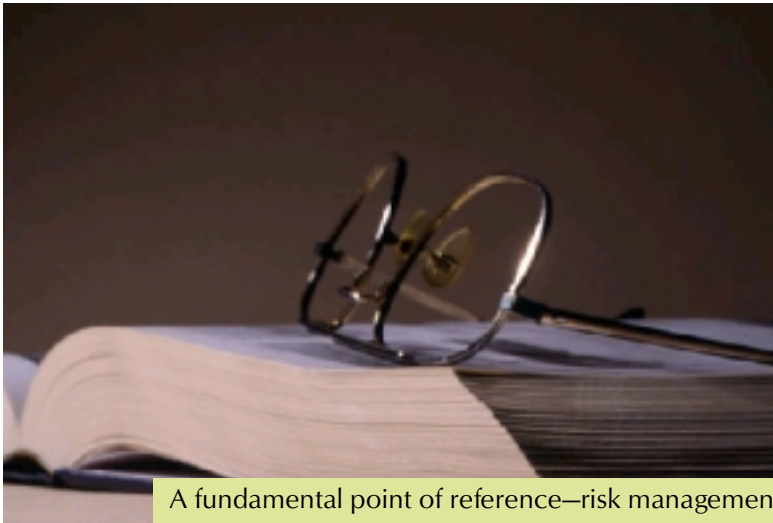
This strategy will encourage each employee of **AGENCY** to take individual responsibility for the creation of an environment that protects and enhances the reputation and assets of **AGENCY** in a responsible and cost-effective manner.

The result of this comprehensive effort will help ensure that this (*agency/college/university*) is a safe place to (*teach, learn or work OR work, visit, and conduct business*).

risk management laws

The following is a brief overview of laws and related programs that address risks or losses that occur in state government operations. Familiarity with state laws and provisions of related programs that address loss are an important resource to adequately plan/enhance and carry out a loss prevention approach.

Each of the program sections lists the program name, the state agency responsible for providing services or statutory authority, and the statute language (if brief). More detailed laws involving complex and voluminous text and related consultative services are referenced with Internet web site links.



A fundamental point of reference—risk management
and loss prevention laws and programs

risk management laws

Self-Insured Liability Program (SILP)**Administered by**

Department of General Administration, Office of Risk Management

Loss Types Addressed

Covers liability losses. The *Liability Account* is used to pay tort claim judgments and settlements arising from general liability and vehicle accidents for which the state is found to be wholly or partially negligent. This includes coverage for claims arising from bodily injury or property damage to a state employee or a third party; vehicle liability; public officials liability; liquor liability; violations of civil rights; sudden and accidental pollution; certain areas of medical malpractice; and marine-related activities, vessels that are a maximum of 26 feet in length and which are human-powered or a maximum of 50 HP motors.

Coverage is provided up to \$5 million for each claim with no deductible.

Exclusions: Marine hull and protection and indemnity exposures relative to vessel operations, marine hulls and protection and indemnity, marine-related activities relative to the Department of Transportation, Washington State Ferry System; aircraft and aviation hull and liability exposure, employee fidelity, damage to state-owned facilities and property, foreign liability, intercollegiate athletic activities, student sponsored events, injuries to employees under workers' compensation, US Longshore & Harbor Workers or Jones Act, student medical malpractice during required practicums under outside hospital supervision, University of Washington and UW Medical School.

Note: For the purpose of this document these exclusions are listed in broad and general category descriptions. For specific questions, clarification, details and the most current coverage details regarding any covered or excluded items listed above, it is recommended that the Office of Risk Management be contacted at (360) 902-7301.

Applicable Statutes to Reference

Title 4 RCW Civil Procedure

4.92.100 Tortious Conduct of State – Claims – Presentment and Filing

4.92.130 Tortious Conduct of State – Liability Account – Purpose

4.92.160 Payment of Claims and Judgment

Reference these statutes at www.leg.wa.gov. (Click on Laws and Agency Rules and then Revised Code of Washington-RCW).

risk management laws

Commercial Insurance**Administered by**

Department of General Administration, Office of Risk Management

Loss Types Addressed and/or Services Provided

Commercial insurance is purchased for losses not covered by the Self-Insurance Liability program but that have potential for large losses. Marine coverage for the state's ferry system and aviation insurance on the state's aircraft are examples. Commercial insurance is also purchased when required by statute (e.g., bonds), when a lending institution or fiduciary of encumbered property requires it, or when the services or coverages of an insurance company are considered necessary.

Applicable Statutes to Reference

Title 43 RCW State Government – Executive, Department of General Administration
43.19.1935 Insurance and Bond - Procurement

Reference these statutes at www.leg.wa.gov. (Click on Laws and Agency Rules and then Revised Code of Washington-RCW).

risk management laws

Tort and Commercial Insurance

Risk Management: Safety and Loss Control Program Established

Administered by

Department of General Administration, Office of Risk Management

Loss Types Addressed

Addresses loss prevention requirements for state agencies for tort and commercial insurance application.

Entire Statute Text Reference Below

RCW 43.19.19368 Risk Management—Safety and Loss Control Program Established

The office of risk management [Department of General Administration] shall establish a coordinated safety and loss control program to reduce liability exposure, safeguard state assets, and reduce costs associated with state liability and property losses.

- (1) **State agencies shall provide top management support and commitment to safety and loss control, and develop awareness through education, training, and information sharing.**
- (2) The office of risk management shall develop and maintain centralized loss history information for the purpose of identifying and analyzing risk exposures. Loss history information shall be privileged and confidential and reported only to appropriate agencies.
- (3) The office of risk management shall develop methods of statistically monitoring agency and statewide effectiveness in controlling losses.
- (4) The office of risk management will routinely review agency loss control programs as appropriate to suggest improvements, and observe and recognize successful safety policies and procedures.

The office of risk management shall provide direct assistance to smaller state agencies in technical aspects of proper safety and loss control procedures, upon request.

risk management laws

Tort and Commercial Insurance

(State Program of Risk Management Principles)

Administered by

Department of General Administration, Office of Risk Management

Loss Types Addressed

Tort and Commercial Insurance Risks

Entire Statute Text Referenced

RCW 43.19.19361 Risk Management –State Program of–Principles

It is the policy of the state for the management of risks to which it is exposed to apply the following principles consistently in a state program of risk management:

- (1) To identify those liability and property risks which may have a significant economic impact on the state;
- (2) To evaluate risk in terms of the state's ability to fund potential loss rather than the ability of an individual agency to fund potential loss;
- (3) **To eliminate or improve conditions and practices which contribute to loss whenever practical;**
- (4) To assume risks to the maximum extent practical;
- (5) To provide flexibility within the state program to meet the unique requirements to any state agency for insurance coverage or service;
- (6) To purchase commercial insurance
 - (a) When the size and nature of the potential loss make it in the best interest of the state to purchase commercial insurance; or
 - (b) When the fiduciary of encumbered property insists on commercial insurance, or
 - (c) When the interest protected is not a state interest and an insurance company is desirable as an intermediary, or
 - (d) When services provided by an insurance company are considered necessary, or
 - (e) When services or coverages provided by an insurance company are cost-effective; or
 - (f) When otherwise required by statute, and
- (7) To develop plans for the management and protection of the revenues and assets of the state.

risk management laws

Industrial Insurance (workers compensation)**Administered by**

Department of Labor and Industries

Loss Type Addressed

Personal injuries or illnesses to state employees engaged in carrying out the scope of their official job duties.

Note: This same program also applies to private firms that cover employees through L&I's state fund or self-insurance program.

Third-party recovery may be applied when it is determined a third party contributed to the injuries or illness suffered by a state employee. Benefits are outlined in statute (see reference below).

Note: Industrial Insurance coverage does not apply to state employees working in specific marine capacities that are covered under the Jones Act for job related injuries or illnesses. Also, volunteers are covered by Industrial Insurance under a specific risk class that provides only medical (no indemnity) coverage.

Applicable Statutes to Reference

RCW Title 51 – Industrial Insurance

All statutes pertaining to Industrial Insurance can be reviewed by accessing the Department of Labor and Industries' web site at www.lni.wa.gov. Click on "Industrial Insurance." Should you have questions or desire consultative services, click on the "In Your Community" bar to bring up a Washington state map. Click on the L&I office closest to you for information on requesting Industrial Insurance consultant services. These statutes also can be accessed at www.leg.wa.gov.

risk management laws

Washington Industrial Safety and Health Act/Administration (WISHA)**Administered by**

Department of Labor and Industries

Loss types addressed

Protection of employees' safety and health (prevention of injuries, illness and death)

WISHA is an occupational safety and health program that requires all state agencies to maintain a safe and healthful workplace for protection of its employees. This state-administered program is required to mirror the federal OSHA (Occupational Safety and Health Administration) requirements. This is not an insurance benefit program, but rather a regulatory program with authority to levy fines (and in extreme cases jail sentences) to employers who fail to meet the WISHA regulations. It is important to note that while these regulations are directed at the safety and health of the state's employees, measures taken to address them will indirectly benefit citizen or other groups or individuals that occupy the same environment where state business is conducted.

Note: Other federal jurisdictions have oversight authority in certain marine and aviation operations.

Applicable Statutes to Reference:

RCW Title 49.17 – Washington Industrial Safety and Health

All statutes pertaining to the Washington Industrial Safety and Health Act (WISHA) can be reviewed by accessing the Department of Labor and Industries' web site at www.lni.wa.gov. Click on "WISHA SERVICES." Should you have questions or desire consultative services, click on the "In Your Community" bar to bring up a Washington state map. Click on the L&I office closest to you for information on requesting WISHA consultant services. The statutes can also be accessed at www.leg.wa.gov.